

C O P Y

BIPARTITE CONTROL OFFICE
U.S. DECARTELIZATION ELEMENT
FRANKFURT (MAIN) GERMANY
APO 757

21 December 1948

SUBJECT: Contract between Robert Bosch GmbH and Industrial
Products Trading Company Ltd.

TO : Brigadier C.C. Oxborrow
Industrial Control and Decartelization Advisor
Office of the British Chairman
Bipartite Control Office

1. I wish to acknowledge again your memorandum to me dated 13 December and to discuss this whole situation.

2. When this contract was first presented, Mr. Hawkins, on behalf of the Office of the Economics Adviser of OMGUS, and I, on behalf of the U.S. Decartelization Branch, expressed formal opinions that the subject contract was not *per se* in violation of Law 56. This contract has been re-examined following the definite announcement of position of the British Decartelization Element of the illegality of the contract under the Decartelization Laws, which view was concurred in by certain members of the staff of the U.S. Decartelization Element. In order that there might be a definite U.S. position on the legality of this contract as connected with Law 56, I submitted the contract to the Legal Division of OMGUS for its formal opinion, which has just been received by me. For your information, I enclose herewith copy of such opinion. In view of the conclusion in this opinion that the provisions of Law 56, considered in the light of the Law's purposes, are not violated by the provisions of the contract, we cannot concur in, nor sign and submit to JEIA the proposed letter as submitted to U.S. Decartelization Element by your office. We are prepared to re-examine whether the operation of the contract, under the particular circumstances, might tend to create restrictive arrangements which could be used in Germany as an instrument of political or economic aggression.

3. You will recall that Mr. Sacks, a member of our staff, procured certain information in the course of his work on the preparation of the Bosch case for the hearing upon the Determination and Directive, which leads him to believe that there is a series of improprieties in the relationship between Industrial Products Trading Company and Robert Bosch GmbH, and that the Industrial Products Trading Company is not an independent company but is under the financial aid and other control of Robert Bosch GmbH. It is further the view of Mr. Sacks, according to his memorandum to me, that the facts concerning the relationship between the contracting parties, if brought to the attention of Military Government, might possibly subject either or both of the contracting parties, or their principals, to other action by Military Government and might justify the disapproval of the contract by JEIA or other elements of Military Government. In view of this situation, we consider it highly essential to have an investigation made forthwith into the full details of the relationships, if any, between Industrial Products Trading Company and Robert Bosch GmbH and of the facts surrounding the organization of Industrial Products Trading Company.

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4. We suggest that a letter be written to the Joint Export-Import Agency bringing this matter to their attention and suggesting that a joint investigation be carried out by representatives of Decartelization and JEIA. I am proposing to assign to this work one of the lawyers of our staff, and I shall be pleased if you will assign one of the members of your staff to jointly or separately work on this matter. We would prefer to have the investigation made, insofar as Decartelization is concerned, by the Bipartite Decartelization Commission. If, however, the British Decartelization Element does not desire that the investigation be made by the Commission, I propose to have one made by the U.S. Decartelization Element together with JEIA, if JEIA will consent to take part therein. In that event we would make the entire results of the investigation available to you and to the Joint Chairmen upon its completion.

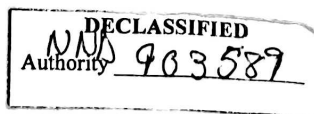
5. I attach hereto excerpts from the report made by Mr. Sacks. I will disclose to you, upon your request, the source of this information, which was classified "secret" by Mr. Sacks in order that the disclosure of the name of the informant would not interfere with his usefulness in the other phases of the Bosch case.

RICHARDSON BRONSON
Chief
U.S. Decartelization Element

Incls:

Copy of legal opinion
Excerpts from Mr. Sacks'
report

Tel: 22547



ALLEGATIONS SUGGESTED BY MR. SACKS FOR INCLUSION IN A PROPOSED LETTER TO
JELIA CALLING FOR THE TERMINATION OF A CONTRACT BETWEEN ROBERT BOSCH GMBH
AND THE INDUSTRIAL PRODUCTS TRADING CO., LTD.

"Furthermore, the Agreement is in reality not the agency agreement which it purports to be. Evidence is being collected and compiled, but at the moment is not entirely complete, which indicates that the Industrial Products Trading Co. was created and organized by, and is now actually under the control and domination of Rbt. Bosch, GmbH, Stuttgart. This fact has been concealed from the Military Government authorities by both parties to the Agreement. The purpose of the agreement clearly appears to be

- a) The re-establishment of the International network of Bosch sales, service, and holding companies by means of an ostensibly neutral and independent company outside the zones of British and U.S. Military Governments.
- b) The Company is intended and will enable Bosch to build up reserves of foreign exchange outside the combined Military Zones of Military Government (para 6 and su-para. 4 (b) of the Agreement.)

If the Industrial Products Trading Co. were not a front for Bosch but a truly independent company, this Agreement would nevertheless be illegal under British Military Government Ordinance No. 78 and U.S. Military Government Law No. 56 for the reasons stated above. The Industrial Products Trading Co. as a wholly controlled and dominated Bosch company cannot, in the guise of an Agency, enter into any contract with Bosch, the purpose and effect of which would be the evasion and avoidance of Military Government Legislation. This contract is therefore irremediably illegal."

In support of the above Mr. Sacks has submitted the following additional information:

"In accordance with your request, as contained in (a), (b), and (c), the following is the information upon which paragraph 2, page 2 of the 9 Dec 1948 draft is based:

1. Theo Gherzes, Greek representative of Robert Bosch, GmbH., acting in behalf of the company, consulted with Colonel Celcaire (U.S.) mid-1946, with a view to "reconstituting the networks of companies and agreements which enabled Bosch to maintain its powerful economic and financial position in Germany and the world:"

2. Col. Celcaire introduced Theo Gherzes to General Wilson who thereupon undertook the practical steps to carry out the purpose indicated in 1.

3. As a result of discussions during the Summer 1947 between General Wilson and Kneerzer, Fischer, Lippart and Harold, of Bosch, the Industrial Products Trading Company, Ltd. was organized in Zurich, Switzerland, by General Wilson.

4. In latter part of 1947, General Wilson consulted with officials of Military Government, in respect of Bosch matters. Upon General Wilson's return to Stuttgart in November 1947, the draft of the agreement in question was completed.

5. General Wilson has a large stock interest, estimated at 50% in I.P.T.C.; the other half is held nominally by the Union des Banques Suisse, Zurich, for the beneficial interest of Robert Bosch, GmbH. and its representatives.

- 5a. The 50% interest subscribed for by General Wilson in I.P.T.C. was furnished General Wilson (or was loaned to him) by Theo Gherzes, the Greek representative of Robert Bosch GmbH.

6. In order to reestablish new companies in those countries where old Bosch companies suffer from Allied measures (blacklists, etc.), Robert Bosch dispatched its Swiss representative, Albert Ullrich, to Spain and Portugal. He left Switzerland for Spain on November 11, 1948. Ullrich acted as German-Swiss liaison officer during world War II for the Bosch company. He is now the General Manager of Industrial Products Trading Co., Ltd.

7. The prices to be charged I.P.T.C. by Bosch will be the lowest, relatively, in the history of the Bosch concern. The I.P.T.C. will sell Bosch products at regular world prices, thereby accumulating foreign exchange, in Bosch's interest, outside the combined Zones."

